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Attorneys For .

Michael E. J. Mongini Bar No. 007160

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF YAVAPAI

WALES ARNOLD, et al.,

Defendant.

Pursuant to appointment of the Court, the Special Committee, through its undersigned member files this Final Report.

The objectives of the Committee filed on or about March 1988 with the court were misunderstood to be the objectives of the court. The Courts Order, dated January 12, 1989 and the Commissioners' Response, dated November 8, 1988 to the Special Committee Report dated October 21, 1988 leaves the committee with the following recommendation:

FIRST, a full and complete Financial and Managerial Audit should be completed by a Certified Public Accounting Firm covering not less than a three (3) year period. (The

PO BOX B 323 NORTH LEROUX STREET FLAGSTAFF, ARIZONA 86002 602/774-1453 Committee feels five (5) years would be more appropriate.)

The decision is based upon the Committee members collective understanding and impression that all interested parties, or groups, namely the Commissioner, the Court and the Ditch Shareholders, desire or expected an audit from the Committee. The Committee is not equipped to conduct an audit without a professional accountants assistance (per Sandra Halma's letter to Judge Anderson dated October 20, 1988). The Committee could not complete an examination of the books and records under any audit procedure involving Financial Accounting Standards Board decisions or General Acceptable Accounting Principles.

The Committee feels to avoid further controversy or debate the Court should make the decision of an audit, and not the Shareholders of the Camp Verde Ditch. Any audit charges should be paid for by the Shareholders of the Camp Verde Ditch.

The Courts request for an estimated cost for an audit would be in the range of \$5,000 for the first year audited due to the learning nature of the audit, since no past audit has been performed by the auditor. A continuous three (3) year audit would possibly by in the range of \$10,000.00. It is difficult for an accountant to give an estimate due to consideration which the auditor will have to give to both the financial and operations portions of the audit. It is suggested that the Court give specific guide lines and parameters for the audit in order to avoid unnecessary costs.

The Committee members collectively do not have an opinion to express to the Court concerning any illegal activities on the part of the Commissioners.

The Committee's activities surrounded the October 21, 1988 Committee Report and a summary review of the procedures of the Camp Verde Ditch in order to examine future direction of the Ditch versus reviewing past acts and activities of the Commissioners.

The Committee did not see the necessity to keep tract of time spent by the Committee members but estimates a total of 75 to 100 hours of man hours were expended.

The Committee request the Court to discharge the Committee and all its members from any further proceeding involved in the above-captioned matter.

Dated this 141 day of February, 1989.

Court's Special Committee

Copy of the foregoing mailed this 14th day of February, 1989 to:

L. Richard Mayberry
Attorney for Commissioners
101 E. Gurley Street, Suite 203
Prescott, Arizona /86301

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